SERVICE PLAN

2004/05 – 2006/07

104-06268/

1 Letter From Board Chairman to Minister Responsible

I am pleased to present the Minister of Small Business and Economic Development with the B.C. Pavilion Corporation (PavCo) Service Plan for fiscal years 2004/05 to 2006/07.

PavCo is a Provincial Crown corporation operating public facilities in the Lower Mainland of British Columbia. It is mandated to generate economic benefits for the Province, with its core activity being the rental of space in its facilities for conventions, trade and consumer shows, sporting, and entertainment events. The Corporation has developed a system of performance measures to track its progress in achieving this mandate.

Following Core Services Review, PavCo embarked on a programme of divestiture of assets that were non-core to its business. The first phase is nearing completion, and reorganization will be completed during the first year of the three-year Plan.

Government has decided that PavCo be retained as an interim measure as a Crown Corporation to provide functions for the Vancouver Convention & Exhibition Centre and BC Place Stadium. Government is undertaking a review of long-term options that is scheduled to be complete in the summer of 2004.

PavCo faces many challenges in maintaining and growing its businesses, while keeping them affordable to all stakeholders, including the shareholder, clients, and visitors. There are significant downward pressures on revenue streams, as competition from, and subsidies to, other centres in other jurisdictions increase, and clients demand even better value for their dollars spent. Upward pressures on costs continue to grow as the Corporation's core assets age.

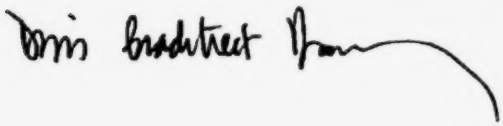
PavCo's three-year service plan addresses the revenue and expenditure issues while following prudent and financially responsible management.

Doris Bradstreet Daughney

Doris Bradstreet Daughney
Board Chairman

2 Accountability Statement

The 2004/05 – 2006/07 PavCo Service Plan was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall service plan. All significant assumptions, policy decisions, and identified risks, as of December 8, 2003, have been considered in preparing the plan. I am accountable for ensuring PavCo achieves its specific objectives identified in the plan and for measuring and reporting actual performance.



Doris Bradstreet Daughney
Board Chairman

PavCo Service Plan
Planning Period April 2004 – March 2007
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3 Organization Overview

Corporate Summary

PavCo has developed a reputation for excellence in the management of public facilities. Its facilities are operated so as to maximize their economic impact, while at the same time, optimizing financial performance.

The Corporation's mandate is:

> *To generate economic and community benefit for the people of British Columbia through the prudent management of public facilities.*

Following Core Services Review, it was decided that PavCo's operations would be sold or transferred to public-private partnerships. Assets to be sold (Bridge Studios and Tradex) are in final stages of divestiture. The public-private partnership process for Vancouver Convention & Exhibition Centre (VCEC) and Vancouver Convention Centre Expansion Project (VCCEP) were not completed, and government has retained its interest in these assets. As well, with the securing of the Vancouver Olympic Bid, two of PavCo's operations (Vancouver Convention & Exhibition Centre and BC Place Stadium) are now required as Olympic/ParaOlympic venues. PavCo offices have been downsized, with the process expected to complete in spring 2004.

By the end of 2004, PavCo will only operate Vancouver Convention & Exhibition Centre and BC Place Stadium. PavCo owns BC Place Stadium, and holds Vancouver Convention & Exhibition Centre on a long-term lease. Both facilities are reaching the age where a number of upgrades are required in order to maintain their competitiveness in the marketplace. PavCo will also work with Tourism Vancouver to develop a synergized approach to marketing and sales of the expansion to the Vancouver Convention & Exhibition Centre.

Enabling Legislation

B.C. Pavilion Corporation is a British Columbia corporation incorporated under the *Company Act (British Columbia)* on May 3, 1984. The authorized capital of B.C. Pavilion Corporation consists of 10,000 common shares without par value. Only one common share has been issued and it is held by Her Majesty the Queen in Right of the Province of British Columbia. This 100% ownership of issued shares by the Provincial Government makes B.C. Pavilion Corporation a Crown Corporation.

B.C. Pavilion Corporation registered PavCo as a business name under the *Partnership Act (British Columbia)* on September 23, 1999.

In addition to the *Company Act* and the *Partnership Act,* there are a number of other statutes relevant to B.C Pavilion Corporation, the most significant being the *British Columbia Enterprise Corporation Act,* which names it as an agent of the government, binds it by the same laws as the government, and gives it the same immunities as the government.

Governance

The Provincial government appoints the Chairman and the Board of Directors of PavCo. Under the Company Act the President and CEO is also a Director.

The Board of Directors provides leadership and direction to the organization in a manner consistent with the policies and directives of the Provincial government. These policies and directives are communicated to the Board through the Chairman. The performance results to be achieved by the Corporation and the guidelines placed on how these results are achieved are governed by Board policies and communicated to staff through the Chairman. In the case of a vacancy, the Board, in consultation with the Minister responsible, appoints the President and CEO.

The Board currently has two standing committees: Audit and Finance, and Governance. The Audit and Finance Committee overlooks financial reporting, internal controls, conflicts of interest and other related matters. The Governance Committee deals with staffing and compensation issues and the implementation of all changes to be made as a result of the Core Services Review. Both committees review and develop matters in their specific areas and make recommendations to the full Board.

The Board of Directors meets at least four times each year, and the committees meet as needed.

Business Units

3.1.1 BC Place Stadium

Opened in 1983, BC Place Stadium is the world's largest air-supported domed stadium. With seating for 60,000 and 247,000 sq. ft. of exhibition space, BC Place Stadium is the Province's largest arena and trade show venue. It will be the venue for Opening and Closing Ceremonies, and nightly cultural and entertainment events at the 2010 Winter Olympic Games.

The facility is busy approximately 200 days a year hosting trade and consumer shows, entertainment and sporting events. As Stadium occupancy is focused during the peak periods, primarily the spring and fall, one of the most significant challenges continues to be the limited date availability during peak season. Trade and consumer shows, BC Lions'

games and spectator events all desire spring and fall dates for their shows. These periods have limited dates available for new shows or for existing shows to move dates.

At over 20 years old, BC Place Stadium is in fairly good physical condition, but several areas of infrastructure require attention over the next 5 – 7 years in order to ensure that it is in prime condition for the 2010 Winter Olympic Games. These include roof, scoreboards, concession areas, kitchens, and seating. In addition, the artificial turf is near the end of its useful life and options are being reviewed to address this.

The Stadium generates over $30 million in annual economic impact and $15 million in tax revenue for governments.

3.1.2 Vancouver Convention & Exhibition Centre

With 150,000 square feet of function space and a majestic waterfront setting at Canada Place, the Vancouver Convention & Exhibition Centre is British Columbia's premier meeting and convention facility. Opened in 1987, it occupies the former Canada Pavilion from Expo 86, and can accommodate up to 8,000 guests for a variety of functions.

The Vancouver Convention & Exhibition Centre is an integral part of British Columbia's tourism infrastructure, generating some $235 million in annual economic impact, including $73 million in tax revenues, and supporting over 3,900 full-time jobs. The expansion of the Vancouver International Airport, Vancouver's spectacular location and reputation have contributed to the possibility of significant increases in convention business, offering major potential to the provincial economy.

With a decrease in funding and marketing resources over the past few years, staff have embarked on many cooperative marketing programmes with other facilities and organizations in British Columbia. This approach has generated new business, and also raised awareness of the entire Province. Vancouver Convention & Exhibition Centre, and Tourism Vancouver management have also carried out a joint review to develop a synergized approach to marketing and sales. This review is due for completion in March 2004.

Global events over the past two years have had significant impacts on the convention business worldwide. Many centres in other jurisdictions have been receiving significant subsidies in order to attract and maintain business, which has added to pressures on our sales staff to make profitable sales.

Following several years of discussion and planning, funding has now been secured to expand the facility directly to the west of the current building. Construction of the expansion is expected to start in late2004, and staff are now marketing and selling the new space, so that it is optimally occupied upon opening.

3.1.3 Corporate Office

The office traditionally housed the Corporate Management and Board of Directors functions. As the facilities have become independent in all operational aspects, and with the disposition of the Corporation's non-core assets near completion, the role of Corporate Office has changed from that of a core service provider to a unit providing services from the facilities to the board and shareholder. Following the Fiscal 2003/04 audit, the Corporate Office will close its physical location, and move to one of the facilities. This follows the direction set at Core Services Review.

3.1.4 Discontinued Operations

Following Core Services Review in February 2002, it was decided that Tradex and the Bridge Studios were no longer core to the business activities of PavCo, and that the facilities would be disposed of. As a result ownership and management of Tradex was assumed by the City of Abbotsford on January 1, 2004; the sale of Bridge Studios will complete by the end of 2004; and Corporate Office will be downsized with closure in spring 2004.

4 Strategic Context

Vision, Mandate, Mission, Values

Vision

To be a recognized leader in event facility management.

Mandate

To generate economic and community benefit for the people of British Columbia through the prudent management of public facilities.

Mission

To provide the best event experience for all our clients and guests.

Values

Quality and Service – We set and meet high standards of service.

Respect, Fairness, and Honest Communication – We treat each other as we wish to be treated, and we openly share information to increase employee understanding and meaningful involvement.

Financial Responsibility – We make significant economic contributions to the Province and generate revenues to offset our operating costs.

Creativity and Innovation – We take responsible risks to find better ways, new methods and processes to get the job done.

Enthusiasm and Humour – We show our enjoyment of our work and each other.

Environmental Responsibility – We continually look for new ways of conducting our business to reduce environmental impacts.

Integrity – We apply our values and deliver on our promises.

Key Strategic Issues

4.1.1Expansion of the Vancouver Convention & Exhibition Centre

The Vancouver Convention & Exhibition Centre (VCEC) is an integral part of British Columbia's tourism infrastructure, generating millions of dollars in annual economic impact, including tax revenues and full-time jobs.

The facility operates at essentially full capacity, given seasonal business distribution. Opportunities for business growth in the current building lie in developing new service products, improving the flexibility of space to maximize utilization, and concentrating on high-yield business to achieve the best return on assets.

VCEC management is participating in the design of the layout of the expansion, so that at opening the old and new facilities will have the same look and feel. VCEC will also participate in sales and marketing of the expansion.

It is anticipated at this time that the Vancouver Convention & Exhibition Centre and the expansion will be used as Media Centre and Broadcast Centre during the 2010 Winter Olympic Games.

4.1.2 Future of BC Place Stadium

Built as an economic engine to expand business opportunities for the Province, BC Place Stadium has achieved that goal. It was built in 1983, close to downtown Vancouver on

unused industrial land. The area around the Stadium has been extensively developed over the past number of years.

Changes in the Stadium's business environment clearly point to the need to attract new events in off-peak periods and to diversify the mix of revenue sources. While expansion opportunities for the traditional team sports and trade show categories remain limited, other sports and live entertainment categories show potential for growth. BC Place Stadium is the Province's largest trade and consumer show venue and remains the only one capable of hosting a number of the Province's most successful shows. Changing market conditions are having an impact on the ability of the facility to recover its operating costs. At many other large sporting venues in North America, shifting game schedules prevent the hosting of other more profitable events. BC Place Stadium has no sporting events scheduled during the spring consumer show season, so is able to maximize its revenues from these shows.

The Stadium will host the opening and closing ceremonies, and nightly events at the 2010 Winter Olympic Games. Management will meet with the event organizers to identify improvements and funding sources required to successfully host the event.

5 Goals, Objectives, Key Strategies, Performance Measures and Targets

Strategic Goals

Our strategic goals can be split in to two areas. The primary goal reflects the mandate given to us by our shareholder. In order to effectively meet this primary goal, we need to achieve our secondary goals.

Our primary goal is to:

1. Increase economic benefit for the people of British Columbia through the operation of Vancouver Convention & Exhibition Centre and BC Place Stadium.

Our secondary goals are to:

1. Attract customers from international, national and local markets to our facilities; and
2. Optimize the financial performance of our facilities.

Primary Goal:

To increase economic benefit for the people of British Columbia through the operation of Vancouver Convention & Exhibition Centre and BC Place Stadium

This reflects our mandate, which is to generate economic and community benefit for the people of British Columbia through the prudent management of public facilities. The events held at our facilities help to support British Columbia's business and leisure tourism industry, as well as the its trade development infrastructure. Our clients and guests from out of Province fill hotel rooms and patronize local businesses during their events, and conduct pre- and post- event activities throughout the Province.

To meet this goal, we need to:

- Seek events from out- of-Province that will generate the maximum amount of economic benefits to our community; and,
- Seek events that will help to support and grow British Columbia's business base.

We will measure our success in achieving this goal by comparing the amount of economic benefits generated through our activities. This is based on estimated expenditures by visitors at events in our facilities, subsequent spending in the province following the event activity, and the ripple effect through the economy of such spending.

Net economic benefit generated and projected.

	Fiscal 2002/03 Actual	Fiscal 2003/04 Forecast	Fiscal 2004/05 Budget	Fiscal 2005/06 Budget	Fiscal 2006/07 Budget
Estimated Economic benefits ($ millions)	$280	$285	$285	$305	$300

The economic benefits generated are assessed by an independent third party consultant, based on facilities operated by PavCo effective April 1, 2004. Calculations are made using the Tourism Economic Assessment Model developed by the Canadian Tourism Research Institute. Actual results for 2002/03 and projections for 2004/05 were calculated in a report prepared in March 2003. Estimates for subsequent years are prepared by PavCo management.

Secondary Goals:

To attract customers from international, national and local markets to our facilities

By meeting this goal, the subsequent attendance and spending by our visitors will enable us to achieve our primary goal of increasing economic benefits. The events at our facilities in Vancouver attract customers from all over the world. We work with our partners in tourism to attract those guests who will bring the greatest amount of benefits to the local and provincial economies. Many of our guests from out of province spend extra time in the region post event, and later, return with their families as tourists.

To meet this goal, we need to:

- Provide the highest levels of service and value to our guests;
- Maintain our facilities, and enhance our image, so that Vancouver is the destination of choice for event planners; and
- Retain our clients on a long-term basis.

We will measure our success in achieving this goal through a number of measures:

Score on client satisfaction surveys. In order to continuously improve customer service, we require feedback from event organizers. Surveys are sent to clients after events and the results monitored. Client satisfaction is projected as follows (out of a total of 6.0 points):

	Fiscal 2002/03 Actual	Fiscal 2003/04 Forecast	Fiscal 2004/05 Budget	Fiscal 2005/06 Budget	Fiscal 2006/07 Budget
Vancouver Convention & Exhibition Centre	5.3 of 6	5.3 of 6	5.4 of 6	5.4 of 6	5.4 of 6
BC Place Stadium	5.3 of 6	5.3 of 6	5.3 of 6	5.3 of 6	5.3 of 6

Measure facility utilization. BC Place Stadium has a definitive show season and is fully booked for a large portion of the year. However, as with many other public facilities, the summer periods are quiet and further infill business is needed to generate revenue. At the Vancouver Convention & Exhibition Centre, most convention space is fully booked for peak periods, so an increase in occupancy can only be achieved through sales with short lead times.

	Fiscal 2002/03 Actual	Fiscal 2003/04 Forecast	Fiscal 2004/05 Budget	Fiscal 2005/06 Budget	Fiscal 2006/07 Budget
Occupancy – VCEC	62%	62%	62%	63%	64%
Occupancy BC Place	51%	52%	52%	55%	55%

Track attendance by facility. As a measure of the Corporation's success, facility attendance is monitored.

MEASURE	Fiscal 2002/03[1] Actual	Fiscal 2003/04 Forecast	Fiscal 2004/05 Budget	Fiscal 2005/06 Budget	Fiscal 2006/07 Budget
Visitor days (in millions)	1.261	1.270	1.300	1.350	1.315

[1] Note Performance results for ongoing operations

Track bookings as a result of expansion of the Vancouver Convention & Exhibition Centre. The Provincial and Federal governments, and Tourism Vancouver will be investing a significant amount in the expansion of the Vancouver Convention & Exhibition Centre. We need to ensure that on opening, the Convention Centre expansion is close to fully occupied. This measure will track the cumulative bookings made for the Convention Centre in order to meet our stakeholders' expectations.

MEASURE	Fiscal 2002/03 Actual	Fiscal 2003/04 Forecast	Fiscal 2004/05 Budget	Fiscal 2005/06 Budget	Fiscal 2006/0 Budget
			Bookings by year		
Number of major events booked post 2008 opening of expansion to Convention Centre	17	4	17	9	30
Delegate count for major events post 2008 opening of expansion to Convention Centre	115,000	58,000	141,000	75,000	246,000
			Cumulative bookings at the end of each fiscal year		
Number of major events booked post 2008 opening of expansion	17	21	38	47	77
Delegate count for major events post 2008 opening of expansion	115,000	173,000	314,000	389,000	635,000

Projections for post 2008 events assume:
(a) The existing Convention Centre building will not close for renovations prior to the opening of the expansion,
(b) The proposed expansion marketing budget will be adequately funded such that the programme will commence April 1, 2004, and
(c) A final programme of spaces for the expanded building will be available by April 1, 2004, so that firm bookings may be made and contracted.

TO OPTIMIZE THE FINANCIAL PERFORMANCE OF OUR PROPERTIES

The Corporation strives to meet its financial targets each year, and to minimize its reliance on shareholder funding. Client expectations and competition from other venues are causing downward pressure on revenues, and at the same time, our ageing facilities and external challenges are creating an upward pressure on costs. The shareholder is also facing fiscal challenges that make it important for PavCo to use the funding provided in the areas most likely to generate long-term profitability and benefit to the organization and the province.

In order to meet this goal, we need to:
- Break even on our financial results, after allocation of shareholder subsidy;
- Increase the revenues generated through our business activities; and,
- Minimize our expenditures, while at the same time maintaining our facilities for optimal use by our patrons.

We will measure our success in achieving this goal by monitoring revenues generated by our businesses. A sustained increase in revenues, and related margins, will provide additional resources for the maintenance of our facilities.

Comparison of revenues generated at PavCo's facilities.

	Fiscal 2002/03 Actual	Fiscal 2003/04 Forecast	Fiscal 2004/05 Budget	Fiscal 2005/06 Budget	Fiscal 2006/07 Budget
Comparison of revenues ($ millions)	$26.6	$25.6	$26.32	$22.53	$22.21

Fiscal 2002/03 and 2003/04 include revenues of $4.97million, and $4.12 million, from businesses divested at March 31, 2004. Fiscal 2004/05 includes net revenues from the sale of a property.

6 Alignment with Government's Strategic Plan

PavCo's three-year Service Plan is prepared with reference to, and guidance from, the Government's Strategic Plan. This plan identifies three major goals:

- A strong and vibrant provincial economy
- A supportive social fabric
- Safe, healthy communities and a sustainable environment

The government's plan identifies many strategies to attain these goals. The following government strategies are particularly relevant to PavCo's operations:

- Affordable and fiscally responsible;
- British Columbia will have a skilled workforce;
- Reform the province's Crown corporations so that they focus on public services, efficiency and effective service delivery; and,
- Aggressively support the 2010 Olympic Games.

7 Summary Financial Outlook

Funding

Funding is received from the Ministry of Small Business and Economic Development. It covers the shortfall between operating revenues, facility costs and repairs expenses, and also includes an allowance for facility depreciation.

Operating

With the disposition of non-core assets nearing completion, PavCo's focus will be on the operations of the Vancouver Convention & Exhibition Centre, and BC Place Stadium, and sales and marketing of the expansion of the Convention Centre. Revenues will remain fairly flat over the next 3 fiscal years. Competition from other facilities, and the expectation of rental incentives from clients will slow the growth of revenues.

As the Corporation's facilities continue to age, facility costs will rise, especially for repairs and maintenance, insurance and utility costs. Management will strive to reduce these costs through conservation measures and business process reviews. Additional costs of marketing the expansion of the Convention Centre will start in fiscal 2004/05, and continue up to the opening in 2008.

Capital

The Corporation manages assets of over $200 million in value, which are serviced through regular maintenance and programmes.

Four Year Financial Forecast (in $ millions)

	Fiscal 2003/04 Forecast	Fiscal 2004/05 Budget	Fiscal 2005/6 Budget	Fiscal 2006/7 Budget
Revenues				
- sales	25.608	26.321	22.531	22.211
- MSBED contribution	8.066	5.000	5.000	5.000
Total Revenue	33.674	31.321	27.531	27.211
Expenses				
- Operating costs	29.902	27.091	27.941	27.899
- Depreciation	3.772	2.921	2.869	2.821
Total Expenses	33.674	30.012	30.810	30.720
Net Income (deficit)	0	1.309	(3.279)	(3.509)
Capital Budget	0.300	0	0	0
FTE's	118	118	118	118

Note: The financial requirements for 2005/6 and 2006/7 will be addressed in the review of long-term options.

Key Assumptions:

- The core business units will be Vancouver Convention & Exhibition Centre, and BC Place Stadium.
- During Fiscal 2003/04, world events caused reduced attendance and some loss of business at Vancouver Convention & Exhibition Centre. Business is not expected to recover significantly over the next three years, and as a result, financial estimates are based on the revenues remaining stable. Revenues for 2004/05 include $5.0 million from the sale of a property. At BC Place Stadium, revenues will increase in 2005/06 due to the potential of the facility hosting Grey Cup.
- Expenses for fiscal 2004/05 and onwards will increase due to the resumption of major repairs and maintenance costs at the facilities, and an allocation of $1.0 million per annum for marketing the expansion of the Vancouver Convention & Exhibition Centre.

Forecast Risks and Sensitivities:

- Revenue estimates are based on current bookings and expected pick up business. These estimates could change if there are further world events during the period that impact business and tourism travel. Estimates will be monitored and adapted as conditions change.

- Currently, there are no budgets for major capital improvement projects for 2004/05 to 2006/07. Continuing postponement of projects could have an impact on bookings and event attendance.